



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

October 9, 2013

The Honorable Andrew M. Cuomo
Governor
State Capitol
Albany, NY 12224

The Honorable Jeffrey Klein
Temporary President and Majority Coalition Leader
State Capitol
Albany, NY 12224

The Honorable Dean Skelos
Temporary President and Majority Coalition Leader
State Capitol
Albany, NY 12224

The Honorable Sheldon Silver
Speaker of the Assembly
State Capitol
Albany, NY 12224

Re: Motor Vehicle Law Enforcement Fee Audit Report 2012-S-2

Dear Governor Cuomo, Senator Klein, Senator Skelos and Speaker Silver:

The Department of Financial Services ("DFS") has reviewed the July 11, 2013 letter from the Office of the State Comptroller ("OSC") regarding OSC Audit 2012-S-2 ("Audit"), which concerns the Motor Vehicle Law Enforcement Fee ("Fee").

Pursuant to New York Insurance Law § 9110, insurance companies collect the Fee by charging ten dollars for each passenger vehicle they insure in the state and remitting the Fee to DFS. DFS, in turn, remits such collections to the Division of Criminal Justice Services ("DCJS") and the Division of State Police. It is DFS' understanding that DCJS uses the Fee to provide grants to assist law enforcement agencies such as police departments and district attorney's offices in combating motor vehicle theft and insurance fraud. In addition, the Division of State Police evidently utilizes Fee revenue to fund its Auto Theft Unit and to otherwise detect and reduce motor vehicle theft and insurance fraud.


The purpose of the Audit was to determine whether DFS properly collected, accounted for, and distributed all Fee revenue due to the State during the audit period of 4/1/08 to 3/31/12. The Audit ultimately concluded that DFS had indeed done so. OSC also recommended that DFS compare insurers' annual Fee revenue to the prior year's Fee revenue as an additional check.

During the audit period, there were 360 Fee filings, 90 of which (25% of the total) were selected for analysis. Within this large sample group, DFS assessed the relative risk of inaccuracy, and filings that showed a difference of more than ten percent between an insurer's aggregated monthly filings and the insurer's annual statement for the same period were selected for manual review. DFS applied a risk-based review process to monitor filings in order to ensure that it was efficiently allocating its resources.

The Audit confirms that DFS took appropriate steps to monitor any irregularities in Fees collected. In response to OSC's suggestion, however, DFS will going forward perform an even more thorough review of year-to-year changes and request supporting documentation from insurers where necessary.

Please feel free to contact me with any questions.

Very truly yours,


Lawrence Montle
Director, Internal Audit

cc: Thomas P. DiNapoli, State Comptroller
Carmen Maldonado, Audit Director